

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Establish
Policies and Cost Recovery Mechanism For
Generation Procurement and Renewable
Resource Development.

Rulemaking 01-10-024
(Filed October 25, 2001)

**ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGE'S (ALJ)
RULING ESTABLISHING A WORKSHOP TO ADDRESS SELECTED
RESOURCE ADEQUACY ISSUES**

Summary

This ruling establishes a workshop process (Workshop) to address the technical details of specific resource adequacy issues. The scope of the workshop will be confined to the more technical aspects of this issue, namely the issues of how Load Serving Entities (LSEs) forecast demand, which resources are eligible to satisfy need, and how supply resources should be valued and considered in assessing an LSEs' resource adequacy.

This ruling outlines the preliminary scope of issues to be addressed in the Workshop. The actual scope of the workshop will be further refined based upon a review of the results of a questionnaire (to be developed and distributed by Commission staff). The questionnaire will build off of previous work done in this field.

Commission staff will conduct the Workshop. A subsequent ruling will set out the date, time, and agenda for the Workshop. Following a Commission policy decision on resource adequacy, other issues concerning this subject may be addressed by subsequent workshops, if necessary.

Procedural Background

On July 23, 2003, a number of parties to this proceeding submitted a Joint Recommendation addressing resource adequacy and reserve requirement issues. Parties to this Joint Recommendation included Pacific Gas & Electric (PG&E), San Diego Gas & Electric (SDG&E), Southern California Edison (Edison), The Utility Reform Network (TURN), Office of Ratepayer Advocates (ORA), and the California Energy Commission (CEC). In their Joint Recommendation, the parties also proposed that:

The Commission should immediately initiate a parallel process to develop a permanent resource adequacy framework...[and] to initiate a collaborative process to develop such a framework and submit a joint report to the Commission no later than January 15, 2004.¹

In response to this request, the assigned Administrative Law Judge (ALJ) offered initial guidance on the scope of the workshop, urged the Joint Recommenders to submit a proposed work plan, and sought guidance from other parties to the proceeding. Based upon parties' responses, the assigned ALJ offered the following recommendation:

The Joint Recommendation work plan proposes an overly ambitious and expansive range of issues to be discussed, particularly given limitations on the ability of parties and Commission staff to devote resources to this endeavor.

As noted in my guidance to the joint recommendation, I urged the parties to: identify threshold issues; potentially defer issues that must first be resolved in the ISO's market redesign process; and not "reinvent the wheel."

¹ Joint Recommendation, Section I.8

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In my guidance I mentioned that the major focus of the workshop should be on how resources are “counted.” This comprises two days of workshops. The questions that need to be addressed during these two days also appear to be more technical in nature and thus more amenable to the workshop process.

Comments

Parties were given an opportunity to comment on the Assigned ALJ's recommendation. The California Independent System Operator (ISO), Edison, the CEC and the Alliance for Retail Markets (ARM)² submitted comments. TURN submitted comments in response to ARM.

The ISO, Edison, and the CEC support the need for workshops. These parties preferred the Joint Recommendation's broader scope of issues, accept the more limited scope of workshops proposed by the ALJ, but continue to press for the following issues to be considered. The ISO wants to expand the workshop process to include “coordination with the ISO”³ and monitoring and enforcement issues. The ISO, as well as the CEC, want to include reporting requirements as an element for the workshop process, Edison states that its position is “generally consistent”⁴ with the ISO's position.

ARM is concerned that any guidance given by the Assigned ALJ to the workshop process not prejudice any of the “important policy and legal issues” that the full Commission must decide in this proceeding. ARM apparently

² ARM's comments were late-filed but will be accepted.

³ Tr. 5778.

⁴ Tr. 5780.

would prefer that any workshops occur after the Commission has reached a decision in this proceeding, even if this means that a final workshop report is not issued until after January 15th.⁵ ARM proposes that, if the Commission decides to exercise jurisdiction over direct access load, then the “Treatment of ESP firm energy contracts” be added to the list of topics. ARM also states that it is premature to address the issue of reporting requirements at this time.

Discussion

We find it useful to proceed with the ALJ’s recommendation to hold approximately two days of workshops to address the issue of demand forecasts and how resources should be “counted” toward determining their contribution to meeting an LSEs’ resource needs.

In holding these workshops, we must balance our need to expeditiously address California’s long-term energy needs while not pre-judging issues that are currently before the Commission in the proceeding. We agree with ARM that the workshops not pre-judge Commission action. At the same time, we do not need to wait for a Commission policy decision in this proceeding to begin to address certain technical issues.

It is precisely for this reason that the Assigned ALJ sought to limit the scope of the workshops to the more technical issue of how demand forecasts are developed and how resources are counted. The Commission has to address these issues at some point in the procurement process regardless of how the Commission chooses to address such major policy issues as the treatment of direct access load. Development of demand forecasts (for both utility and direct

⁵ This assumes a December 18, 2003 Commission decision in this proceeding.

access load), the reliability of the various resource options available to any LSEs, and the treatment of firm energy contracts (whether entered into by a utility or to serve direct access load) are all examples of issues the Commission will need to address.

We also agree with ARM that it is premature to address reporting requirements at this time. It is difficult to determine reporting requirements when it is still unclear what exactly it is that is to be reported. Additionally, this raises issues regarding the structure of the procurement process (i.e., timing for utility compliance filings) and other issues that the Commission has yet to decide. Based on the policy guidance given by the Commission in its year-end decision, the results of the workshop and the success of parties in reaching agreement, the Commission will be in a better position to address the issue of how the information will be used. This subject may be appropriate for a follow-on workshop. In the interim period, both the ISO and CEC (as non-market participants in this proceeding) have access to each utility's confidential filings to assist them in determining their resource procurement situation.

The ISO requests that we expand the workshop to address the issue of "monitoring and enforcement" and "coordination with the ISO." We believe that it is premature to address either of these issues at this time through a workshop process. The issue of enforcement appears to be closely related to, if not identical to, the issue of penalty structure and penalty levels. As previously discussed, this issue is more appropriately classified as a "threshold issue" that the Commission should address in its decision and not through workshops. Similarly, as the Assigned ALJ noted, many issues that affect coordination with the ISO are currently pending before FERC.

Therefore, **IT IS RULED** that:

1. Commission staff will prepare a questionnaire for distribution to the parties. The questionnaire will be based on issues raised by parties in the proceeding, as well as building off of the issues/options identified in previous work on this issue done by the California Power Authority, California Energy Commission, and Resource Adequacy Working Group. The purpose of this questionnaire will be to help the Commission and parties identify the range of positions on these issues, possible areas of agreement, and to guide the issues to be discussed in the workshop.

2. There will be a two-day workshop focused on the issues relating to load forecasting and resource accounting. This corresponds to the second workshop item proposed by the Joint Recommendation (see Appendix A to this ruling). There may be some modification to the issues addressed based on the results of the questionnaire.

3. The proposed workshop process envisions a number of “homework” assignments for parties to help inform the workshop process. These assignments should be developed and given out prior to the workshop in order to maximize its effectiveness. In the near term, Commission staff will work with parties to prepare such a list of assignments for parties to comment on.

4. A written report summarizing the workshop will be prepared summarizing options discussed and identified in the workshop, findings, and recommendations. The report should be submitted by January 14, 2004.

5. There will be an opportunity for parties to file written comments on the workshop report.

6. James Hendry of the Commission staff is responsible for scheduling and refining the scope of the workshop process. He may be contacted at 415-703-2692.

Dated September 25, 2003, at San Francisco, California.

/s/ MICHAEL R. PEEVEY

Michael R. Peevey
Assigned Commissioner

/s/ CHRISTINE M. WALWYN by LTC

Christine M. Walwyn
Administrative Law Judge

APPENDIX A

Joint Recommendation – Agenda Items for Second Workshop

Load and Resource Accounting (2)	<p>Protocols and Counting Conventions</p> <ul style="list-style-type: none">○ treatment of uncertainty about obligations to serve load○ load forecast weather protocols (short and long term)○ load forecast treatment of self generation○ method for ensuring comparable CEC load forecasts○ method for determining dependable capacity by technology○ method for determining deliverability of dependable capacity○ annual scheduled and forced outage rates by technology and/or by unit○ seasonal and daily production profiles for non-dispatchable generation○ demand response programs, including treatment of market-price responsive loads○ interruptible load programs○ energy efficiency programs <p>Resource Eligibility</p> <p>nature of “commitment”</p> <p>treatment of system purchases</p> <p>deliverability for generation</p> <p>treatment of uncommitted energy and capacity, and of pooling arrangements between LSEs (limitations on usage) and estimation of aggregate supplies available</p>
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(END OF APPENDIX A)

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Assigned Commissioner and Administrative Law Judge (ALJ) Ruling Establishing a Workshop to Address Selected Resource Adequacy Issues on all parties of record in this proceeding or their attorneys of record.

Dated September 25, 2003, at San Francisco, California.

/s/ FANNIE SID

Fannie Sid

N O T I C E

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